

**BATTLE CREEK DOWNTOWN  
DEVELOPMENT AUTHORITY**  
(A Component Unit of the  
City of Battle Creek, Michigan)

**Battle Creek, Michigan**

**BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**For the Year Ended  
June 30, 2008**



**REHMANN ROBSON**

*Certified Public Accountants*

**BATTLE CREEK DOWNTOWN DEVELOPMENT AUTHORITY**  
**(A Component Unit of the**  
**City of Battle Creek, Michigan)**

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# REHMANN ROBSON

*Certified Public Accountants*

A member of THE REHMANN GROUP



## INDEPENDENT AUDITORS' REPORT

December 10, 2008

Board of Directors  
Battle Creek Downtown Development Authority  
City of Battle Creek, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the ***Battle Creek Downtown Development Authority, a component unit of the City of Battle Creek, Michigan***, as of and for the year ended June 30, 2008, which collectively comprise the Authority's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the ***Battle Creek Downtown Development Authority*** as of June 30, 2008, and the respective changes in its financial position and, where applicable, cash flows thereof, and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Authority has not presented Management's Discussion and Analysis as required supplementary information. The Governmental Accounting Standards Board has determined that such information is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The continuing bond disclosures as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Authority. The continuing bond disclosures have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

## **BASIC FINANCIAL STATEMENTS**

**BATTLE CREEK DOWNTOWN DEVELOPMENT AUTHORITY**  
**Statement of Net Assets**  
**June 30, 2008**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and investments	\$ 5,103,657	\$ 260,369	\$ 5,364,026
Investments	-	290,201	290,201
Accounts receivable	255,290	946,482	1,201,772
Interest receivable	47,666	3,321	50,987
Loans receivable, net:			
Due within one year	-	23,162	23,162
Due in more than one year	-	347,927	347,927
<b>Total assets</b>	<b>5,406,613</b>	<b>1,871,462</b>	<b>7,278,075</b>
<b>Liabilities</b>			
Account payable and accrued liabilities	49,773	477,063	526,836
Accrued interest payable	1,432,034	-	1,432,034
Long-term liabilities -			
Due within one year	1,655,000	-	1,655,000
Due in more than one year	46,958,167	-	46,958,167
<b>Total liabilities</b>	<b>50,094,974</b>	<b>477,063</b>	<b>50,572,037</b>
<b>Net assets</b>			
Restricted for debt service	4,000,000	-	4,000,000
Restricted for loan commitments, minority lending and lending activity	-	1,394,399	1,394,399
Unrestricted (deficit)	(48,688,361)	-	(48,688,361)
<b>Total net assets (deficit)</b>	<b>\$ (44,688,361)</b>	<b>\$ 1,394,399</b>	<b>\$ (43,293,962)</b>

The accompanying notes are an integral part of these financial statements.

**BATTLE CREEK DOWNTOWN DEVELOPMENT AUTHORITY**  
**Statement of Activities**  
**For the Year Ended June 30, 2008**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues Charges for Services</u>	<u>Net (Expense) Revenue</u>
<b>Governmental activities:</b>			
Community development	\$ 3,099,986	\$ 1,845	\$ (3,098,141)
Interest on long-term debt	<u>3,885,407</u>	<u>-</u>	<u>(3,885,407)</u>
Total governmental activities	6,985,393	1,845	(6,983,548)
<b>Business-type activities:</b>			
Revolving loans	<u>135,003</u>	<u>42,852</u>	<u>(92,151)</u>
<b>Totals</b>	<u><u>\$ 7,120,396</u></u>	<u><u>\$ 44,697</u></u>	<u><u>\$ (7,075,699)</u></u>

Continued...

**BATTLE CREEK DOWNTOWN DEVELOPMENT AUTHORITY**  
**Statement of Activities (Concluded)**  
**For the Year Ended June 30, 2008**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Changes in net assets</b>			
Net (expense) revenue	<u>\$ (6,983,548)</u>	<u>\$ (92,151)</u>	<u>\$ (7,075,699)</u>
General revenues:			
Property taxes	6,566,597	-	6,566,597
Unrestricted investment earnings	<u>667,265</u>	<u>-</u>	<u>667,265</u>
Total general revenues	<u>7,233,862</u>	<u>-</u>	<u>7,233,862</u>
Change in net assets	250,314	(92,151)	158,163
Net assets (deficit), beginning of year, as restated	<u>(44,938,675)</u>	<u>1,486,550</u>	<u>(43,452,125)</u>
<b>Net assets (deficit), end of year</b>	<u><u>\$ (44,688,361)</u></u>	<u><u>\$ 1,394,399</u></u>	<u><u>\$ (43,293,962)</u></u>

The accompanying notes are an integral part of these financial statements.

**BATTLE CREEK DOWNTOWN DEVELOPMENT AUTHORITY**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2008**

	<u>General</u>	<u>Pipeline Bonds Debt Service</u>	<u>Nonmajor Capital Projects</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Pooled cash and investments	\$ 4,812,557	\$ -	\$ 291,100	\$ 5,103,657
Accounts receivable	255,290	-	-	255,290
Interest receivable	47,666	-	-	47,666
<b>Total assets</b>	<u>\$ 5,115,513</u>	<u>\$ -</u>	<u>\$ 291,100</u>	<u>\$ 5,406,613</u>
<b>Liabilities</b>				
Accounts payable	\$ 49,773	\$ -	\$ -	\$ 49,773
<b>Fund balances</b>				
Reserved for debt service	4,000,000	-	291,100	4,291,100
Unreserved, undesignated	1,065,740	-	-	1,065,740
Total fund balances	<u>5,065,740</u>	<u>-</u>	<u>291,100</u>	<u>5,356,840</u>
<b>Total liabilities and fund balances</b>	<u>\$ 5,115,513</u>	<u>\$ -</u>	<u>\$ 291,100</u>	<u>\$ 5,406,613</u>

The accompanying notes are an integral part of these financial statements.



**BATTLE CREEK DOWNTOWN DEVELOPMENT AUTHORITY**  
**Reconciliation of Fund Balances on the Balance Sheet**  
**for Governmental Funds to Net Assets of**  
**Governmental Activities on the Statement of Net Assets**  
**June 30, 2008**

<b>Fund balances - total governmental funds</b>	<b>\$ 5,356,840</b>
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Amounts reported for governmental activities in the statement of net assets are different because:

Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Deduct - bonds payable	(53,285,000)
Deduct - accrued interest on bonds	(1,432,034)
Add - unamortized bond issuance costs	3,576,176
Deduct - unamortized bond premium	(1,988,895)
Add - unamortized deferred loss on refunding	<u>3,084,552</u>

<b>Net assets (deficit) of governmental activities</b>	<b><u><u>\$ (44,688,361)</u></u></b>
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The accompanying notes are an integral part of these financial statements.

**BATTLE CREEK DOWNTOWN DEVELOPMENT AUTHORITY**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2008**

	<u>General</u>	<u>Pipeline Bonds Debt Service</u>	<u>Nonmajor Capital Projects</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>				
Property taxes	\$ 6,566,597	\$ -	\$ -	\$ 6,566,597
Interest	523,628	143,637	-	667,265
Other	1,845	-	-	1,845
	<u>7,092,070</u>	<u>143,637</u>	<u>-</u>	<u>7,235,707</u>
<b>Expenditures</b>				
Community development	2,774,986	-	325,000	3,099,986
Debt service:				
Principal	-	1,115,000	-	1,115,000
Interest and fiscal charges	-	2,070,831	-	2,070,831
Bond issuance costs	-	2,740,959	-	2,740,959
	<u>2,774,986</u>	<u>5,926,790</u>	<u>325,000</u>	<u>9,026,776</u>
Total expenditures	<u>2,774,986</u>	<u>5,926,790</u>	<u>325,000</u>	<u>9,026,776</u>
Revenue over (under) expenditures	<u>4,317,084</u>	<u>(5,783,153)</u>	<u>(325,000)</u>	<u>(1,791,069)</u>
<b>Other financing sources (uses)</b>				
Transfers in	-	3,042,194	616,100	3,658,294
Transfers out	(3,658,294)	-	-	(3,658,294)
Refunding bond proceeds	-	53,285,000	-	53,285,000
Premium on refunding bonds	-	2,130,959	-	2,130,959
Payment to refunding bond escrow agent	-	(52,675,000)	-	(52,675,000)
	<u>(3,658,294)</u>	<u>5,783,153</u>	<u>616,100</u>	<u>2,740,959</u>
Total other financing sources (uses)	<u>(3,658,294)</u>	<u>5,783,153</u>	<u>616,100</u>	<u>2,740,959</u>
Net change in fund balances	658,790	-	291,100	949,890
Fund balances, beginning of year, as restated	<u>4,406,950</u>	<u>-</u>	<u>-</u>	<u>4,406,950</u>
<b>Fund balances, end of year</b>	<u><u>\$ 5,065,740</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 291,100</u></u>	<u><u>\$ 5,356,840</u></u>

The accompanying notes are an integral part of these financial statements.

**BATTLE CREEK DOWNTOWN DEVELOPMENT AUTHORITY**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Year Ended June 30, 2008**

<b>Net change in fund balances - total governmental funds</b>	<b>\$ 949,890</b>
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Amounts reported for governmental activities in the statement of activities  
are different because:

Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Add - principal payments on long-term liabilities	1,115,000
Less - amortization of bond issuance costs and deferred loss on refunding	(341,875)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Deduct - increase in accrued interest payable on bonds	<u>(1,472,701)</u>
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<b>Change in net assets of governmental activities</b>	<b><u>\$ 250,314</u></b>
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The accompanying notes are an integral part of these financial statements.

**BATTLE CREEK DOWNTOWN DEVELOPMENT AUTHORITY**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2008**

	<b>Budget</b>			<b>Actual</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Over (Under) Final Budget</b>
<b>Revenues</b>				
Property taxes	\$ 6,311,400	\$ 6,556,362	\$ 6,566,597	\$ 10,235
Interest	250,000	350,000	523,628	173,628
Other	-	-	1,845	1,845
Total revenues	6,561,400	6,906,362	7,092,070	185,708
<b>Expenditures</b>				
Community development	3,007,082	2,687,769	2,774,986	87,217
Revenues over expenditures	3,554,318	4,218,593	4,317,084	98,491
<b>Other financing uses</b>				
Transfers out	(3,553,872)	(3,941,067)	(3,658,294)	282,773
Net change in fund balance	446	277,526	658,790	381,264
Fund balance, beginning of year	4,406,950	4,406,950	4,406,950	-
<b>Fund balance, end of year</b>	<b>\$ 4,407,396</b>	<b>\$ 4,684,476</b>	<b>\$ 5,065,740</b>	<b>\$ 381,264</b>

The accompanying notes are an integral part of these financial statements.

# **BATTLE CREEK DOWNTOWN DEVELOPMENT AUTHORITY**

## **Statement of Net Assets Revolving Loan Enterprise Fund June 30, 2008**

### **Assets**

Cash and cash equivalents	\$ 260,369
Investments	290,201
Accounts receivable	946,482
Interest receivable	3,321
Loans receivable, net:	
Due within one year	23,162
Due in more than one year	<u>347,927</u>

<b>Total assets</b>	<b>1,871,462</b>
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### **Liabilities**

Accounts payable	<u>477,063</u>
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### **Net assets**

Restricted for loan commitments, minority lending and other lending activity	<u><u>\$ 1,394,399</u></u>
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The accompanying notes are an integral part of these financial statements.

# **BATTLE CREEK DOWNTOWN DEVELOPMENT AUTHORITY**

## **Statement of Revenues, Expenses and Changes in Fund Net Assets - Enterprise Fund For the Year Ended June 30, 2008**

<b>Operating revenue</b>	
Charges for services	<u>\$ 25,522</u>
<b>Operating expenses</b>	
Professional services	38,678
Loan loss provision	<u>96,325</u>
Total operating expenses	<u>135,003</u>
Operating loss	(109,481)
<b>Non-operating revenue</b>	
Investment earnings	<u>17,330</u>
Change in net assets	(92,151)
Net assets, beginning of year	<u>1,486,550</u>
<b>Net assets, end of year</b>	<u><u>\$ 1,394,399</u></u>

The accompanying notes are an integral part of these financial statements.

# **BATTLE CREEK DOWNTOWN DEVELOPMENT AUTHORITY**

## **Statement of Cash Flows**

### **Enterprise Fund**

**For the Year Ended June 30, 2008**

#### **Cash flows from operating activities**

Loans collected from borrowers	\$ 102,749
Interest and fees on loans	26,907
Loans made to borrowers	(20,000)
Administrative and other expenses paid	<u>(38,678)</u>

Net cash provided by operating activities	<u>70,978</u>
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#### **Cash flows from investing activities**

Purchase of investments	(310,366)
Proceeds from sales and redemption of investments	297,055
Investment income received	<u>17,330</u>

Net cash provided by investing activities	<u>4,019</u>
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Net increase in cash and cash equivalents	74,997
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Cash and cash equivalents, beginning of year	<u>185,372</u>
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<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 260,369</u></u>
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#### **Reconciliation of operating income to net cash provided by operating activities**

Operating loss	\$ (109,481)
Adjustments to reconcile operating loss to net cash from operating activities:	
Loan loss provision	116,302
Changes in assets and liabilities:	
Loans receivable	5,107
Accounts receivable	59,519
Accrued interest receivable	1,385
Accounts payable	<u>(1,854)</u>

<b>Net cash provided by operating activities</b>	<u><u>\$ 70,978</u></u>
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The accompanying notes are an integral part of these financial statements.

# BATTLE CREEK DOWNTOWN DEVELOPMENT AUTHORITY

## Notes To Basic Financial Statements

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Reporting Entity** – These financial statements present the activities of the Battle Creek Downtown Development Authority (the “Authority”). The Authority was established March 6, 1979 pursuant to Public Act 197 of 1975. The primary purpose of the Authority is to revitalize and encourage economic activity in the downtown business district. The Authority’s activities are primarily funded through tax increment financing, bonded debt and revolving loans.

The Authority is a component unit of the City of Battle Creek, Michigan (the “City”) because the City appoints the Authority’s Board of Directors, it has the ability to significantly influence the Authority’s operations and it is financially accountable for the Authority as defined under GASB Statement No. 14, *The Financial Reporting Entity*. Accordingly, the Authority is presented as a discrete component unit in the City’s financial statements and is an integral part of that reporting entity.

**Government-wide and Fund Financial Statements** – The statements of net assets and activities display information about the financial activities of the Authority. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the Authority’s *governmental* and *business-type activities*. Governmental activities generally are financed through taxes and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for revolving loans.

The statement of activities presents a comparison between direct expenses and program revenues for the business-type activity of the Authority and for each function of the Authority’s governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation** – The government-wide financial information is reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.



# BATTLE CREEK DOWNTOWN DEVELOPMENT AUTHORITY

## Notes To Basic Financial Statements

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Governmental fund financial information is reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Property taxes and interest are considered to be susceptible to accrual. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

The Authority reports the following major governmental funds:

- General fund
- Pipeline bonds debt service fund

The *general fund* is the Authority's primary operating fund. It accounts for all financial resources of the Authority, except those required to be accounted for in another fund.

The *debt service fund* accounts for the accumulation of resources for, and the payment of, interest and principal on bonded debt.

The *revolving loan enterprise fund* (major enterprise fund) is used to account for loans made to local businesses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private sector standards.

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements.

**Capital Assets** – The Authority has no capital assets for which it holds legal ownership. Infrastructure assets (e.g., roads, bridges, curbs, sidewalks, storm sewers and similar items), along with water and wastewater subsystems constructed by the Authority, are not recorded as the Authority's capital assets, even though the Authority may be obligated to repay the debt issued to finance the related projects. Such capital assets become the property of the City when they are placed into service and, accordingly, are reported in the City's capital assets.

# BATTLE CREEK DOWNTOWN DEVELOPMENT AUTHORITY

## Notes To Basic Financial Statements

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***Long-term Obligations*** – In the government-wide financial statements, long-term debt is reported as a liability. Bond discounts, as well as issuance costs, if any, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

***Budgetary Information*** – The general fund is under formal budgetary control and its budget is prepared on the same modified accrual basis used to reflect actual results. The Authority follows the City budget process in establishing the budgetary data reflected in the financial statements:

- The Authority submits a proposed budget to the City Manager. After review and approval, the City Manager submits a recommended operating budget to the City Commission. The budget is legally adopted through a City Commission resolution prior to the beginning of the budgetary year for the Authority's funds.
- The budget is adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted or amended by the City Commission during the year. Individual amendments were not material in relation to the original appropriations.

The DDA general fund had expenditures in excess of appropriations for fiscal 2008 of \$87,217.

## 2. CASH AND INVESTMENTS

The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits, short-term investments with original maturities of three months or less from the date of acquisition, and deposits in the City's cash and investment pool.

State statutes authorize the Authority to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments. The Authority and City's investment policies follow the State's guidelines.

# BATTLE CREEK DOWNTOWN DEVELOPMENT AUTHORITY

## Notes To Basic Financial Statements

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At year-end, the carrying amount of the Authority's deposits in the City's internal cash management pool was \$5,103,657. Because it is infeasible to allocate risk to individual component units or pool participants, aggregate cash and investment categorizations are presented in the City's basic financial statements.

The Authority's remaining deposits and investments, which are entirely recorded in the Revolving Loan Fund (business-type activity), include the following:

Deposits	\$ 260,369
Investments	<u>290,201</u>
<b>Total</b>	<b><u>\$ 550,570</u></b>

### **Deposits**

The above deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared, or of deposits in transit) at \$260,369. Of that amount, \$160,369 was uninsured and uncollateralized.

### **Investments**

At year end, the Revolving Loan Fund's investment balances were as follows:

	<b><u>Fair Value</u></b>
U.S. agencies	\$ 210,590
Money market funds	<u>79,611</u>
<b>Total investments</b>	<b><u>\$ 290,201</u></b>

*Credit Risk.* All of the investments in debt securities of U.S. agencies are rated AAA by both Moody's Investor Service and Standard & Poor's. The money market funds were rated AAA by both Moody's and Standard & Poor's.

*Custodial Credit Risk.* For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Revolving Loan Fund will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Although uninsured and unregistered, the Revolving Loan Fund investments are not exposed to custodial credit risk since the securities are held by the counterparty's trust department in the fund's name.

# BATTLE CREEK DOWNTOWN DEVELOPMENT AUTHORITY

## Notes To Basic Financial Statements

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*Concentration of Credit Risk.* At June 30, 2008, the investment portfolio of U.S. agencies was concentrated as follows:

<u>Investment Type</u>	<u>Issuer</u>	<u>% of Portfolio</u>
U.S. agencies	Federal Home Loan Bank	72.6%

*Interest Rate Risk.* As of June 30, 2008, maturities of the Revolving Loan Fund investments in debt securities totaling \$210,590 were due in less than one year and were not callable.

### 3. LOANS RECEIVABLE

The details of loans receivable outstanding as of June 30, 2008 are as follows:

Total loans outstanding	\$ 618,267
Less allowance for loan losses	<u>(247,178)</u>
<b>Net loans outstanding</b>	<b><u><u>\$ 371,089</u></u></b>

Of this amount, \$23,162 is expected to be collected within one year.

### 4. LONG-TERM DEBT

Following is a summary of the Authority's debt outstanding as of June 30, 2008:

	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Outstanding Principal</u>
<b>Limited Tax General Obligation Bonds</b>			
2008 downtown development refunding	5.0%	05/01/22	<b><u><u>\$ 53,285,000</u></u></b>

# BATTLE CREEK DOWNTOWN DEVELOPMENT AUTHORITY

## Notes To Basic Financial Statements

In addition to the above obligation, the Authority is committed to contribute toward the repayment of two City of Battle Creek bond issues. Although not contractually obligated, the Authority intends to pay debt service on these obligations inasmuch as the projects financed by these bonds are within the boundaries of the downtown development district. The Authority's share of the outstanding principal on these bonds as of June 30, 2008, was \$1,905,590, with interest rates ranging from 3.0% to 4.0%, and maturing through 2012.

Annual debt service requirements to maturity for the Authority's debt, including the City of Battle Creek bond issues that the Authority intends to service, are as follows:

<b>Year Ending June 30,</b>	<b>Authority Obligation</b>		<b>City Obligations</b>	
	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>
2009	\$ 1,655,000	\$ 3,241,504	\$ 454,506	\$ 70,754
2010	2,325,000	2,581,500	481,863	47,391
2011	2,475,000	2,465,250	504,221	28,399
2012	2,665,000	2,341,500	465,000	13,950
2013	3,400,000	2,208,250	-	-
2014-2018	20,140,000	8,288,500	-	-
2019-2022	<u>20,625,000</u>	<u>2,649,000</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<b><u>\$53,285,000</u></b>	<b><u>\$23,775,504</u></b>	<b><u>\$ 1,905,590</u></b>	<b><u>\$ 160,494</u></b>

*Current Refunding.* During the year, the City and DDA issued \$53,285,000 of fixed-rate limited tax general obligation refunding bonds along with \$2,130,959 of issuance premium for a current refunding of \$52,675,000 of variable-rate refunding bonds and to pay an interest rate swap termination fee of \$2,025,000 and \$715,959 of other bond issuance costs. The refunding was undertaken to lock-in a favorable fixed interest rate and eliminate the exposure to interest rate volatility. The refunded variable-rate bonds had no stated annual debt service requirements, had a nominal final maturity date of May 1, 2022, and bore interest at a rate of 4.598% before the hedge exchange provisions of the interest rate swap. The refunding bonds, which serially mature through May 1, 2022, carry interest at a fixed interest rate of 5.0%.

# BATTLE CREEK DOWNTOWN DEVELOPMENT AUTHORITY

## Notes To Basic Financial Statements

**Changes in Long-Term Debt.** Long-term liability activity for the year ended June 30, 2008, is as follows:

	<b><u>Beginning Balance</u></b>	<b><u>Additions</u></b>	<b><u>Reductions</u></b>	<b><u>Ending Balance</u></b>	<b><u>Due Within One Year</u></b>
Adjustable rate refunding	\$53,790,000	\$ -	\$ 53,790,000	\$ -	\$ -
Development refunding	-	53,285,000	-	53,285,000	1,655,000
Add (deduct) deferred amounts:					
For issuance costs	(1,102,777)	(2,740,959)	(267,560)	(3,576,176)	-
For bond premium	-	2,130,959	142,064	1,988,895	-
On refunding	<u>(3,341,598)</u>	<u>-</u>	<u>(257,046)</u>	<u>(3,084,552)</u>	<u>-</u>
	<b><u>\$49,345,625</u></b>	<b><u>\$52,675,000</u></b>	<b><u>\$ 53,407,458</u></b>	<b><u>\$48,613,167</u></b>	<b><u>\$ 1,655,000</u></b>

## 5. PROPERTY TAXES

Property tax revenue is derived pursuant to a tax increment financing agreement between the Authority and applicable taxing districts. Real and personal property taxes are levied and attach as an enforceable lien on properties located within the boundaries of the tax increment financing district. The City bills and collects the taxes on behalf of the Authority. Delinquent taxes on ad valorem real property are purchased by Calhoun County. Property tax revenue is recognized when levied in the government-wide financial statements and in the fund financial statements to the extent that it results in current receivables.

Except for property taxes captured from local schools that exceed contractual obligations, the Authority is entitled to all taxes levied on property within the Downtown Development Authority district to the extent that the current taxable value exceeds the base year taxable value. The base year of initial properties was 1979, the inception date of the Authority. The base year on other properties is determined by the date of entry into the district; the Authority district was expanded in 1985, 1987 and 1993, and was reduced in 2000.

Renaissance zone property is tax abated property against which property taxes are not currently levied, but in the near future will return or revert to the ad valorem tax rolls. Similarly, industrial and commercial facility tax properties are abated personal property that receive up to a 50% reduction in the millage rate for a stated number of years as approved by the City of Battle Creek (or applicable taxing jurisdiction).

# BATTLE CREEK DOWNTOWN DEVELOPMENT AUTHORITY

## Notes To Basic Financial Statements

The taxable values for the 2007 levy are summarized below:

	(a) Total <u>Taxable Value</u>	(b) Base Year <u>Value</u>	(a)-(b) Captured <u>Increment</u>
Ad valorem property	\$ 282,009,988	\$ 103,815,183	\$ 178,194,805
Renaissance zone property	8,322,573	2,857,800	5,464,773
IFT / CFT / Other property	<u>44,790,427</u>	<u>28,059,225</u>	<u>16,731,202</u>
<b>Totals</b>	<u><u>\$ 335,122,988</u></u>	<u><u>\$ 134,732,208</u></u>	<u><u>\$ 200,390,780</u></u>

IFT - Industrial Facility Tax

CFT - Commercial Facility Tax

## 6. RESTATEMENTS

The beginning net assets of the governmental activities and the beginning fund balance of the general fund were each restated (i.e., reduced) by \$302,236 to correct for a prior year revenue accrual that had not been properly reversed in the prior subsequent period.

\* \* \* \* \*

## **SUPPLEMENTARY INFORMATION**



**BATTLE CREEK DOWNTOWN DEVELOPMENT AUTHORITY**  
**Continuing Bond Disclosures (Unaudited)**

**1. State Equalized Value (SEV) and Taxable Value (TV) of Ad Valorem Tax Roll**

Assessed Value as of December 31	Year of Tax Levy	Fiscal Year Ended June 30	Ad Valorem SEV		Ad Valorem TV	
			Amount	% Change	Amount	% Change
2006	2007	2008	\$ 307,542,425	1.98%	\$ 290,332,561	2.19%
2005	2006	2007	301,572,694	3.69%	284,121,353	3.51%
2004	2005	2006	290,842,381	-3.81%	274,494,992	-4.26%
2003	2004	2005	302,371,276	0.56%	286,708,140	0.20%
2002	2003	2004	300,679,010	14.03%	286,125,661	13.76%
2001	2002	2003	263,688,054	-2.40%	251,509,977	-2.48%
2000	2001	2002	270,159,327	8.99%	257,903,342	12.40%
1999	2000	2001	247,870,250	-8.74%	229,459,885	-13.66%
1998	1999	2000	271,594,550	14.64%	265,771,050	14.11%
1997	1998	1999	236,918,025	-2.24%	232,905,000	-2.84%
1996	1997	1998	242,345,100	9.39%	239,723,350	8.97%

**2. Taxable Value (TV) of Ad Valorem Tax Roll by Use**

Fiscal Year Ended June 30	Principal Resident/MBT Exempted			Non-Principal Resident/MBT				Total
	Residential	Agriculture	Commercial	Residential	Agriculture	Commercial	Industrial	
2008	\$ 10,321,623	\$ -	\$ 251,355	\$ 7,008,419	\$ -	\$ 76,524,757	\$ 196,226,407	\$ 290,332,561
2007	9,029,803	-	333,469	6,672,684	-	67,903,175	200,182,222	284,121,353
2006	9,018,219	76,412	342,696	5,864,652	-	68,556,358	190,636,655	274,494,992
2005	8,864,820	76,412	342,827	5,350,551	-	71,985,512	200,106,018	286,726,140
2004	8,392,465	74,695	281,374	5,359,009	-	68,483,541	203,534,577	286,125,661
2003	7,883,617	73,592	237,619	5,153,765	-	66,149,317	172,012,067	251,509,977
2002	7,362,058	71,311	269,052	4,738,687	-	68,358,646	177,103,588	257,903,342
2001	6,953,534	-	-	4,512,716	69,100	65,049,350	152,875,185	229,459,885
2000	6,953,534	-	-	4,133,866	124,100	58,701,700	195,857,850	265,771,050
1999	6,423,899	-	-	4,602,723	66,750	56,741,378	165,070,250	232,905,000
1998	6,155,984	-	-	4,348,616	65,000	51,701,650	177,452,100	239,723,350

**3. Taxable Value (TV) of Ad Valorem Tax Roll by Class**

Fiscal Year Ended June 30			
	Real	Personal	Total
2008	\$ 131,211,762	\$ 159,120,799	\$ 290,332,561
2007	127,887,669	156,233,684	284,121,353
2006	127,840,001	146,654,991	274,494,992
2005	128,572,054	158,136,086	286,708,140
2004	126,908,701	159,216,960	286,125,661
2003	112,590,677	138,919,300	251,509,977
2002	112,268,742	145,634,600	257,903,342
2001	97,508,785	131,951,100	229,459,885
2000	103,120,900	162,650,150	265,771,050
1999	89,277,600	143,627,400	232,905,000
1998	86,575,550	153,147,800	239,723,350

**4. Taxable Value (TV) of the Industrial Facilities Tax Roll by Class**

Fiscal Year Ended June 30			
	Real	Personal	Total
2008	\$ 15,727,788	\$ 29,170,293	\$ 44,898,081
2007	15,083,781	23,675,939	38,759,720
2006	15,700,842	31,458,252	47,159,094
2005	14,766,215	29,029,847	43,796,062
2004	14,192,322	23,798,132	37,990,454
2003	21,376,963	53,450,900	74,827,863
2002	21,437,436	57,760,000	79,197,436
2001	32,852,600	83,652,400	116,505,000
2000	57,015,950	129,337,200	186,353,150
1999	74,460,175	141,754,300	216,214,475
1998	69,725,825	129,625,600	199,351,425

**BATTLE CREEK DOWNTOWN DEVELOPMENT AUTHORITY**  
**Continuing Bond Disclosures (Unaudited)**

**5. Property Tax Collections (ad valorem and IFT)**

Fiscal Year Ended June 30	Taxes Levied	Collections to March 1	% Collected
2008	\$ 7,006,961	\$ 6,642,405	94.80%
2007	4,095,472	4,052,317	98.95%
2006	3,880,299	3,366,709	86.76%
2005	6,876,297	6,802,014	98.92%
2004	6,364,212	6,364,212	100.00%
2003	6,068,878	6,053,257	99.74%
2002	6,434,645	6,415,791	99.71%
2001	6,703,618	6,638,605	99.03%
2000	7,470,631	7,446,748	99.68%
1999	8,166,905	7,896,259	96.69%
1998	8,295,052	8,269,905	99.70%

(1) Levied and collected amounts are lower than prior year because of agricultural renaissance zone abatements.

**6. Captured Property Tax Rates**  
(per \$1,000 of value)

Fiscal Year Ended June 30	(1) City	(2) Schools	(1) State Education Tax	(3) County	Willard Library
2008	14.4760	18.0000	6.0000	5.3779	-
2007	14.4760	18.0000	6.0000	5.3779	-
2006	13.9210	18.0000	6.0000	5.3744	-
2005	13.0000	18.0000	6.0000	5.3744	2.00
2004	13.0000	18.0000	5.0000	5.3744	-
2003	13.0000	18.0000	6.0000	-	-
2002	13.0000	18.0000	6.0000	-	-
2001	13.0000	18.0000	6.0000	-	-
2000	12.5970	18.0000	6.0000	-	-
1999	12.7290	18.0000	6.0000	-	-
1998	12.8840	18.0000	6.0000	-	-

(1) Levied on homestead and non-homestead properties.

(2) Levied on non-homestead properties only.

(3) Beginning in fiscal year 2003, the DDA captures 100% of the tax increment in excess of the 2003 taxable value.

**7. Taxable Value of Twenty Largest Ad Valorem Taxpayers**  
(Fiscal Year Ended June 30, 2008)

Taxpayer	Product or Service	Taxable Value	% of Taxable Value
1 Kellogg Company	Breakfast foods	\$118,680,185	40.88%
2 Kraft Foods Inc.	Breakfast foods	37,016,022	12.75%
3 Ralcorp Holdings Inc.	Breakfast foods	16,088,305	5.54%
4 Semco Energy Inc.	Natural gas utility	11,322,018	3.90%
5 Suntrust Leasing Corporation	Leased equipment	5,835,651	2.01%
6 GHG-McCamly Plaza LLC	Hotel	5,189,714	1.79%
7 Cello-Foil Products Inc.	Packaging	4,320,737	1.49%
8 North Pointe Woods	Office building	4,073,514	1.40%
9 Behnke Warehousing Inc.	Warehousing	2,931,299	1.01%
10 Graham Group, The	Medical office building	2,471,383	0.85%
11 Somerset Capital Group LTD	Leased equipment	2,056,150	0.71%
12 BC Equities LTD	Office building	1,979,285	0.68%
13 Consumers Energy Co.	Electric utility	1,708,534	0.59%
14 Federated Publications	Newspaper	1,687,328	0.58%
15 Lake Jackson Realty LLC	Office building	1,542,271	0.53%
16 Lasalle Bank Midwest NA	Banking services	1,124,286	0.39%
17 Kaival LLC	Retail store	1,051,849	0.36%
18 Les Stanford Ford	Auto dealer	1,037,793	0.36%
19 Michael Giurbino Trust	Auto dealer	999,019	0.34%
20 590-596 Columbia Ave Inc.	Condominiums	979,887	0.34%
		<u>\$222,095,230</u>	<u>76.50%</u>

**BATTLE CREEK DOWNTOWN DEVELOPMENT AUTHORITY**  
**Continuing Bond Disclosures (Unaudited)**

**8. Taxable Value of Three Largest IFT Taxpayers**  
(Fiscal Year Ended June 30, 2008)

<u>Taxpayer</u>	<u>Product or Service</u>	<u>Taxable Value</u>	<u>% of Taxable Value</u>
<sup>1</sup> Kellogg Company	Breakfast foods	\$ 23,117,611	51.49%
<sup>2</sup> Kraft Foods Inc.	Breakfast foods	19,818,348	44.14%
<sup>3</sup> Cello-Foil Products Inc.	Packaging	1,854,468	4.13%
		<u>\$ 44,790,427</u>	<u>99.76%</u>